

July 15, 2003

Legislative Audit Commission

622 Stratton Office Building

Springfield, IL 62706

Dear Members:

In accordance with section 3-15 of the Illinois State Auditing Act (30 ILCS 5/3-15), I hereby submit the report on the operations of the Office of the Auditor General for the fourth quarter of Fiscal Year 2003 ending June 30, 2003.

***FISCAL MATTERS***

|   |
|---|
| <p><b><i>FY 2003 – FOURTH QUARTER</i></b></p> <p><b><i>Appropriation Expended Obligated Balance</i></b></p> |
|---|

Personal Services \$ 3,775,000 \$ 3,520,926 \$ 0 \$ 254,074

Employee Retire. (Employer) 151,000 134,597 0 16,403

State Retirement 389,600 361,175 0 28,425

Social Security 284,392 257,720 0 26,672

Contractual Services 500,000 482,806 10,002 7,192

Travel 24,600 17,651 0 6,949

Commodities 12,000 5,806 0 6,194

Printing 15,000 14,472 0 528

Equipment 14,908 13,312 0 1,596

EDP 26,500 14,038 938 11,524

Telecommunications 70,000 54,616 0 15,384

Oper. of Auto. Equip. 4,000 1,992 0 2,008

ROE Audits 701,800 668,135 4,297 29,368

Audits/Studies/Invest.\* 13,472,300 8,729,053 2,934,014 1,809,233

**TOTAL \$19,441,100 \$14,276,299 \$2,949,251 \$2,215,550**

\*Audit Expense Fund

## ***PERSONNEL***

## ***PERSONNEL***

04-01-03 Appointments Separations Transfers 06-30-03

**Springfield**  
**61 7 3 0 65**

**Chicago** 07 0 0 0 07

**TOTAL** 68 7 3 0 72

## ***CONTRACTS***

During the fourth quarter of Fiscal Year 2003 the Office of the Auditor General entered into seventy-nine financial/compliance audit contracts and three Administrative contracts.

## ***TRAINING***

Internal training for the fourth quarter of 2003 included:

- The CPE Network (Vol. 10, Issue 3)
- The CPE Network (Vol. 10, Issue 4) and the CPA Report (Vol 2002, #3)
- The CPE Network (Vol. 11, Issue 1) and the CPA Report (Vol 2002, #4)
- IS Auditing
- Conversion to GASB #34 for ROEs
- Legal Research
- Using Access in Performance Audits

- o Internet Research for Performance Audits

Additional external training in which staff participated included:

- o Conflict Resolution- DHR
- o Interpersonal Skills- DHR
- o Sexual Harassment Prevention- DHR
- o Legal Guidelines for Effective Interviewing - DHR
- o Fraud Statistics/Auditor's Role in Forensics Investigations- ISACA/IIA
- o Hot Topics in Auditing- IIA
- o Disaster Recovery Planning- Total Facility Management
- o Detecting Fraud with Data Analysis Software- ISACA
- o Control and Security of Firewalls and Intrusion Detection- ISACA
- o SIAAB State Internal Auditors Spring Conference

## ***PERFORMANCE AUDITS***

| <b><i>PERFORMANCE AUDITS</i></b>   |  |
|--|--|
| <b><i>IN PROGRESS</i></b>  |  |
| <b><i>AUDITS</i></b>   | <b><i>ESTIMATED<br/>RELEASE DATE</i></b> |
| <ul style="list-style-type: none"> <li>• Management Audit: Grade Crossing Protection Fund<br/>(LAC No. 123)</li> </ul>                                     | Fall 2003                                |
| <ul style="list-style-type: none"> <li>• Management Audit: Regulation of Grain Dealers and Administration of Grain Insurance Fund (LAC No. 125)</li> </ul> | Fall 2003                                |
| <ul style="list-style-type: none"> <li>• Management Audit: DCMS' Administration of the State's Space Utilization Program (LAC No. 126)</li> </ul>          |  |
| <ul style="list-style-type: none"> <li>• Financial, Compliance, and Program Audit: The Village of</li> </ul>   | Fall 2003                                |

Robbins' Use of Municipal Economic Development Funds (PA 90-813)

Summer 2003

## ***REGIONAL OFFICES OF EDUCATION AUDITS***

Public Act 92-544, effective June 12, 2002, gave the Office of the Auditor General the responsibility for the conduct of annual audits of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State. Previously, these audits were the responsibility of the Illinois State Board of Education. There are 48 total audits to perform; 45 are of Regional Offices of Education and 3 are of Intermediate Service Centers. The Office of the Auditor General contracted with 11 public accounting firms to perform these audits, which began in July 2002. As of April 16, 2003, all forty-eight audits had been released.

## ***FINANCIAL & COMPLIANCE AUDITS***

The following is a listing of financial and compliance audits for the period(s) ending June 30, 2002 and December 31, 2002. As the year progresses the "date released" column will be completed.

### ***FINANCIAL & COMPLIANCE AUDITS***

***FOR THE PERIOD(S) ENDING JUNE 30, 2002***

***AND DECEMBER 31, 2002***

***F = Financial C= Compliance***

| <i>AGENCY</i>  | <i>F</i> | <i>C</i> | <i>DATE<br/>RELEASED</i> |
|--|----------|----------|--------------------------|
| Attorney General   | x        | x        | 03-11-03                 |
| Capital Development Board  | x        | x        | 03-13-03                 |
| Chicago State University   | x        | x        | 06-12-03                 |
| Chicago State University Foundation                                    | x        |          | 03-18-03                 |
| Comptroller – Fiscal Officer   | x        | x        | 06-19-03                 |
| Comptroller – Non-Fiscal Officer                                       | x        | x        | 06-19-03                 |
| Department on Aging  |          | x        | 03-18-03                 |
| Department of Agriculture (DuQuoin Fair)                               |          | x        | 03-20-03                 |
| Department of Agriculture (IL State Fair)                              |          | x        | 03-20-03                 |
| Department of Central Management Services                              | x        | x        | 03-13-03                 |
| Department of Central Management Services (Deferred Compensation Plan) | x        |          | 06-19-03                 |
| Department of Children and Family Services                             | x        | x        | 04-29-03                 |
| Department of Commerce and Economic Opportunity                        | x        | x        | 06-12-03                 |
| Department of Corrections – General Office                             | x        | x        | 04-23-03                 |
| Dept.of Corrections, Correctional Center - <i>Big Muddy River</i>      |          | x        | 04-23-03                 |
| Dept. of Corrections, Correctional Center – <i>Centralia</i>           |          | x        | 04-23-03                 |
| Dept. of Corrections, Correctional Center – <i>Danville</i>            |          | x        | 04-23-03                 |
| Dept. of Corrections, Correctional Center – <i>Decatur Womens</i>      |          | x        | 04-23-03                 |
| Dept. of Corrections, Correctional Center – <i>Dixon</i>               |          | x        | 04-23-03                 |

|  |  |   |          |
|--|--|---|----------|
| Dept. of Corrections, Correctional Center - <i>Dwight</i>            |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>East Moline</i>       |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Graham</i>            |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Hill</i>              |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center - <i>IL River (Canton)</i> |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Jacksonville</i>      |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Joliet</i>            |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Lawrence</i>          |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Lincoln</i>           |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Logan</i>             |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Menard</i>            |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Pinckneyville</i>     |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Pontiac</i>           |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Robinson</i>          |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Shawnee</i>           |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Sheridan</i>          |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Southwestern IL</i>   |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Stateville</i>        |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Tamms</i>             |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Taylorville</i>       |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Vandalia</i>          |  | x | 04-23-03 |
| Dept. of Corrections, Correctional Center – <i>Vienna</i>            |  | x | 04-23-03 |

|   |   |   |          |
|---|---|---|----------|
| Dept. of Corrections, Correctional Center – <i>Western Illinois</i> |   | x | 04-23-03 |
| Department of Corrections, Correctional Industries                  | x | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>Chicago</i>              |   | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>Harrisburg</i>           |   | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>Joliet</i>               |   | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>Kewanee</i>              |   | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>Murphysboro</i>          |   | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>Pere Marquette</i>       |   | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>St. Charles</i>          |   | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>Valley View</i>          |   | x | 04-23-03 |
| Dept. of Corrections, IL Youth Center – <i>Warrenville</i>          |   | x | 04-23-03 |
| Department of Employment Security                                   | x |   | 03-13-03 |
| Department of Financial Institutions                                | x | x | 02-25-03 |
| Department of Human Services  | x |   | 04-03-03 |
| Department of the Lottery   | x | x | 04-03-03 |
| Department of Military Affairs                                      |   | x | 04-03-03 |
| Department of Natural Resources                                     |   | x | 03-27-03 |
| Department of Public Aid  | x | x | 06-12-03 |
| Department of Revenue   | x |   | 03-13-03 |
| Department of State Police  |   | x | 03-06-03 |
| Department of Transportation  | x | x | 06-19-03 |
| Department of Veterans' Affairs – General Office                    |   | x | 04-03-03 |



|  |   |   |          |
|--|---|---|----------|
| Drycleaner Environmental Response Trust Fund Council |   | x | 03-11-03 |
| East St. Louis Financial Advisory Authority          |   | x | 03-11-03 |
| Eastern Illinois University                          | x | x | 04-16-03 |
| Eastern Illinois University Alumni Association       | x |   | 04-03-03 |
| Eastern Illinois University Foundation               | x |   | 04-03-03 |
| Environmental Protection Agency                      | x | x | 03-20-03 |
| EPA – Trust Fund Commission                          | x | x | 03-20-03 |
| General Assembly – Retirement Systems                | x |   | 01-15-03 |
| General Assembly – Retirement System                 |   | x | 03-18-03 |
| Governors State University                           | x | x | 03-04-03 |
| Governors State University Alumni Association        | x |   | 02-27-03 |
| Governors State University Foundation                | x |   | 02-27-03 |
| Health Care Cost Containment Council                 |   | x | 02-20-03 |
| Historic Preservation Agency                         | x | x | 04-08-03 |
| Illinois Community College Board                     | x | x | 03-04-03 |
| Illinois Conservation Foundation                     | x | x | 03-27-03 |
| Illinois Development Finance Authority               | x | x | 03-04-03 |
| Illinois Farm Development Authority                  | x | X | 04-03-03 |
| Illinois Health Facilities Authority                 | x | x | 02-25-03 |
| Illinois Housing Development Authority               | x | x | 06-12-03 |
| Illinois Mathematics and Science Academy             | x | x | 03-06-03 |
| Illinois Mathematics and Science Academy Fund        | x |   | 03-06-03 |

|  |   |   |          |
|--|---|---|----------|
| Illinois Medical District Commission                               |   | x | 03-13-03 |
| Illinois Petroleum Resources Board                                 |   | x | 02-20-03 |
| Illinois Racing Board  |   | x | 02-20-03 |
| Illinois Rural Bond Bank   | x | x | 03-20-03 |
| Illinois State Board of Investment                                 | x |   | 01-15-03 |
| Illinois State Board of Investment                                 |   | x | 03-04-03 |
| Illinois State Toll Highway Authority                              |   |   |          |
| Illinois State University  | x | x | 03-20-03 |
| Illinois State University Foundation                               | x | x | 03-20-03 |
| Illinois Student Assistance Commission                             | x |   | 06-12-03 |
| Illinois Student Assistance Commission Designated Account Purchase | x |   | 03-06-03 |
| Illinois Student Assistance Commission – Prepaid Tuition           | x |   | 03-06-03 |
| Illinois Veterans’ Home – Anna                                     |   | x | 03-27-03 |
| Illinois Veterans’ Home – LaSalle                                  |   | x | 03-04-03 |
| Illinois Veterans’ Home – Manteno                                  |   | x | 03-04-03 |
| Illinois Veterans’ Home – Quincy                                   |   | x | 03-04-03 |
| Illinois Violence Prevention Authority                             |   | x | 02-25-03 |
| Industrial Commission – Self Insurer’s Fund                        | x |   | 03-11-03 |
| Joint Committee on Administrative Rules                            |   | x | 02-25-03 |
| Judges Retirement System   | x |   | 01-15-03 |
| Judges Retirement System   |   | x | 03-18-03 |

|  |   |   |          |
|--|---|---|----------|
| Judicial Inquiry Board                                   |   | x | 02-25-03 |
| Kankakee River Valley Area Airport Authority             | x | x | 02-20-03 |
| Law Enforcement Training Standards Board                 |   | x | 03-06-03 |
| Legislative Information Systems                          |   | x | 02-25-03 |
| Liquor Control Commission                                |   | x | 02-25-03 |
| Northeastern Illinois University                         | x | x | 03-04-03 |
| Northeastern Illinois University Foundation              | x |   | 02-27-03 |
| Northern Illinois University                             | x | x | 02-25-03 |
| Northern Illinois University Alumni Association          | x | x | 02-25-03 |
| Northern Illinois University Foundation                  | x | x | 02-25-03 |
| Office of Banks and Real Estate                          |   | x | 03-11-03 |
| Pollution Control Board                                  |   | x | 02-20-03 |
| Prairie State 2000 Authority                             | x |   | 02-25-03 |
| Prisoner Review Board                                    |   | x | 02-20-03 |
| Property Tax Appeal Board                                |   | x | 03-11-03 |
| Secretary of State                                       | x |   | 03-13-03 |
| Sex Offender Management Board                            |   | x | 02-25-03 |
| Southern IL University                                   | x | x | 04-08-03 |
| Southern IL University – Carbondale Alumni Association   | x |   | 02-27-03 |
| Southern IL University – Carbondale Foundation           | x |   | 02-27-03 |
| Southern IL University – Edwardsville Alumni Association | x |   | 02-27-03 |
| Southern IL University – Evergreen Terrace               | x |   | 02-27-03 |

|  |   |   |          |
|--|---|---|----------|
| Southern IL University – Edwardsville Foundation     | x |   | 02-27-03 |
| Southern IL University – Physicians & Surgeons, Inc. | x |   | 02-27-03 |
| Southern IL University – University Park             | x |   | 02-27-03 |
| Southwestern Illinois Development Authority          |   | x | 04-08-03 |
| State Appellate Defender                             |   | x | 04-08-03 |
| State Board of Education                             | x | x | 04-08-03 |
| State Employees’ Retirement System                   | x |   | 01-15-03 |
| State Employees’ Retirement System                   |   | x | 03-18-03 |
| State Fire Marshal                                   |   | x | 04-16-03 |
| State Police Merit Board                             |   | x | 02-20-03 |
| State Universities Retirement System                 | x |   | 01-15-03 |
| State Universities Retirement System                 |   | x | 03-18-03 |
| State’s Attorney’s Appellate Prosecutor              |   | x | 02-20-03 |
| Statewide Single Audit                               |   |   |          |
| Teachers’ Retirement System                          | x |   | 01-15-03 |
| Teachers’ Retirement System                          |   | x | 03-13-03 |
| Treasurer – Bright Start College Savings Program     | x |   | 03-27-03 |
| Treasurer – Fiscal Officer                           | x | x | 03-27-03 |
| Treasurer – Illinois Funds                           | x | x | 03-27-03 |
| University of Illinois                               | x | x | 03-27-03 |
| University of Illinois Alumni Association            | x | x | 02-27-03 |
| University of Illinois Foundation                    | x | x | 02-27-03 |

|   |   |   |          |
|---|---|---|----------|
| University of Illinois – Prairieland Energy, Inc.     | x | x | 03-27-03 |
| University of Illinois – Research Park, LLC           | x | x | 03-27-03 |
| University of Illinois – Ventures, LLC                | x | x | 03-27-03 |
| University of Illinois – Wolcott, Wood & Taylor, Inc. | x | x | 02-27-03 |
| Western Illinois University                           | x | x | 03-27-03 |
| Western Illinois University Foundation                |   | x | 03-18-03 |

## ***INFORMATION SYSTEMS AUDITS***

These audits are components of each agency's regularly scheduled financial and compliance audit for the period ending June 30, 2002.

|  |   |
|--|---|
| <p align="center"><b><i>INFORMATION SYSTEMS AUDITS</i></b></p> <p align="center"><b><i>AUDITS INITIATED AND/OR COMPLETED</i></b></p> <p align="center"><b><i>IN FISCAL YEAR 2003</i></b></p> |   |
| o  | Attorney General  |
| •  | Comptroller   |
| •  | Department on Aging   |
| •  | Department of Central Management Services – BCCS 3 <sup>rd</sup> Party Review |
| •  | Department of Children and Family Services                                    |

|   |
|---|
| <ul style="list-style-type: none"> <li>• Department of Commerce and Economic Opportunity</li> </ul> |
| <ul style="list-style-type: none"> <li>• Department of Corrections</li> </ul>                       |
| <ul style="list-style-type: none"> <li>• Department of State Police</li> </ul>                      |
| <ul style="list-style-type: none"> <li>• Environmental Protection Agency</li> </ul>                 |
| <ul style="list-style-type: none"> <li>• Financial Institutions</li> </ul>                          |
| <ul style="list-style-type: none"> <li>• Illinois Liquor Control Commission</li> </ul>              |
| <ul style="list-style-type: none"> <li>• Illinois State Board of Investment</li> </ul>              |
| <ul style="list-style-type: none"> <li>• Illinois State University</li> </ul>                       |
| <ul style="list-style-type: none"> <li>• Northern Illinois University</li> </ul>                    |
| <ul style="list-style-type: none"> <li>• Office of Banks and Real Estate</li> </ul>                 |
| <ul style="list-style-type: none"> <li>• Southern Illinois University</li> </ul>                    |
| <ul style="list-style-type: none"> <li>• State Board of Education</li> </ul>                        |
| <ul style="list-style-type: none"> <li>• Teachers' Retirement System</li> </ul>                     |
| <ul style="list-style-type: none"> <li>• University of Illinois</li> </ul>                          |

## ***EMERGENCY PURCHASES***

The Illinois Procurement Code requires agencies expending funds in an emergency to file an affidavit with the Auditor General within 10 days after the procurement, setting forth the amount expended, the name of the contractor, and the circumstances requiring the emergency purchase. The Auditor General, in turn, is required to file a quarterly report with the Commission and the Governor setting forth a complete listing of all emergency purchases reported during that quarter. The latest report is for the fourth quarter of Fiscal Year 2003 and it contains fifty-two filings with this Office.

## ***CONTRACTUAL SERVICES CERTIFICATIONS***

Pursuant to the requirements of the State Finance Act at 30 ILCS 105/15a, State agencies must file a certification with the Auditor General prior to the execution of any contract with a former employee who took an early retirement incentive prior to January 1, 1992. The certification must state that the former employee either possesses unique expertise or is essential to the operation of the agency.

During the fourth quarter of Fiscal Year 2003, the Auditor General did not receive any new contractual services certifications.

Copies of certifications received in previous quarters are on file in our Office.

## ***CHICAGO AIRPORT LAWSUIT***

The General Assembly passed a law in 1995 directing me to conduct a "compliance and management audit of the City of Chicago and any other entity with regard to the operation of Chicago O'Hare International Airport, Chicago Midway Airport and Merrill C. Meigs Field." The law—Public Act 89-386—went on to specify areas that must be included in the audit scope, such as revenues, expenses and transfers of funds, purchasing and contracting policies and practices, staffing levels, and hiring practices and procedures.

The City subsequently filed a lawsuit seeking to enjoin this audit from progressing. We were represented in this litigation by the Attorney General's Office. Following a hearing in June 2000 on the parties' respective cross motions for summary judgment, the circuit court of Cook County held that Public Act 89-386 was an unconstitutional

broadening of my powers. We directly appealed that ruling to the Illinois Supreme Court and a hearing was held in November of 2001. On June 19, 2003, we received an opinion affirming the lower court's decision.

The Supreme Court basically ruled that my audit authority over the airports extends to "funds specifically appropriated or otherwise authorized by the General Assembly for the City's airports following the Governor's preparation and submission of the state budget." (*Slip Opinion, pg. 10.*) Since only Midway received nominal State funds in 1995 and no State appropriations have gone to any of the airports since 1996, there is apparently nothing for my Office to audit under this interpretation.

A copy of the Illinois Supreme Court's decision was provided to the members of the Commission by letter dated June 20, 2003.

Yours truly,

WILLIAM G. HOLLAND

Auditor General